

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's
Own Motion to Conduct a Comprehensive
Examination of Investor Owned Utilities' Residential
Rate Structures, the Transition to Time Varying and
Dynamic Rates, and Other Statutory Obligations

R. 12-06-013
(Filed June 21, 2012)

**SIERRA CLUB REPLY COMMENTS ON THE ASSIGNED COMMISSIONER AND
ADMINISTRATIVE LAW JUDGES' JOINT RULING INVITING COMMENTS AND
SCHEDULING PREHEARING CONFERENCE**

Andy Katz
Law Office of Andy Katz
2150 Allston Way Ste.400
Berkeley, CA 94704
510-848-5001
andykatz@sonic.net

Matt Vespa
Staff Attorney
Sierra Club
85 Second Street
San Francisco, CA
415-977-5753
matt.vespa@sierraclub.org

ATTORNEYS FOR SIERRA CLUB

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I. INTRODUCTION

The Sierra Club hereby submits these reply comments pursuant to the September 20, 2012 Assigned Commissioner and Administrative Law Judges' Joint Ruling Inviting Comments and Scheduling Prehearing Conference (“Ruling”) seeking input on proposed coordination and rate design evaluation questions.

II. RESPONSES TO RATE DESIGN QUESTIONS

A. Comments on Proposed Goals

1. Greenhouse Gas Emissions

Sierra Club strongly supports suggestions from a range of stakeholders recommending an explicit goal for reducing greenhouse gas emissions. As TURN identifies, the Commission should investigate the extent that “rate design [can] serve as a useful tool in achieving AB 32 compliance.”¹ The Division of Ratepayer Advocates (“DRA”) recommended adding an explicit goal for supporting California’s climate change initiatives, recognizing that “facets of residential rate design should support the important goal of reducing Greenhouse Gas (“GHG”) emissions.”² NRDC also supports a specific goal for rates to be compatible with “environmental policy goals, including California’s global warming law,”³ and EDF emphasizes that environmental requirements must be explicitly incorporated into the goals.⁴ Likewise, Sierra Club supports the recommended new policy goal expressed by the Coalition of Utility Employees (“CUE”) that “[r]ate design should encourage reducing greenhouse gas reductions.”⁵ As CUE states, it is important to “address the overarching policy of reducing greenhouse gas emissions” alongside encouraging conservation, energy efficiency, and renewable technologies.

¹ TURN Opening Comments at 13.

² DRA Opening Comments at 4.

³ NRDC Opening Comments at 2.

⁴ EDF Opening Comments at 3.

⁵ CUE Opening Comments at 3.

Including greenhouse gas reduction as a separate goal of this proceeding is also consistent with the Global Warming Solutions Act and Integrated Energy Policy Report. While AB 32⁶ enforces California’s greenhouse gas emission reduction goals as a definitive “limit,”⁷ the Air Resources Board also characterizes this requirement as an overarching state policy “goal” to embrace the challenge and scale of solutions needed to achieve a clean energy future.⁸ Similarly, the 2011 Integrated Energy Policy Report (“IEPR”) connects California’s greenhouse gas reductions goals with the “price signal needed to drive long-term investment in cleaner fuels and more efficient use of energy.”⁹

2. Reduction in Overall Energy Consumption

Sierra Club also shares the concern of TURN and other parties commenting that rates should encourage reduction of overall energy usage.¹⁰ While reducing peak demand is an important priority for addressing high marginal costs and usage frequency of the most greenhouse gas-intensive power plants, reducing overall energy consumption remains important for achieving greenhouse gas emissions reduction goals in California.

3. Equity and Affordability

Sierra Club agrees with many parties that rates should be affordable and equitable. We support the objectives of the Greenlining Institute, Center for Accessible Technology, TURN, DRA, and Joint Parties in ensuring that electricity remains accessible for CARE customers. We agree that transition to a new rate structure should provide customers with the tools needed to easily understand and respond while not interfering with the affordability of basic living necessities. We note that it is inequitable for a small portion of the customer base to consume a

⁶ Global Warming Solutions Act (Assembly Bill 32 [Núñez, Chapter 488, Statutes of 2006]).

⁷ Health and Safety Code Section 38550.

⁸ California Air Resources Board, Climate Change Scoping Plan at ES-1, ES-2.

⁹ California Energy Commission, 2011. 2011 Integrated Energy Policy Report Publication Number: CEC-100-2011-001-CMF at 20.

¹⁰ TURN Opening Comments at 8.

vastly disproportionate share of electricity without appropriate price signals to reflect and correct inequitable outcomes, such as low-income ratepayers subjected to high levels of grid-related air pollution, and barriers to adoption of environmentally beneficial technologies and practices.¹¹ For example, the 2010 usage of the top five percent of PG&E residential customers accounted for fourteen percent of residential electricity usage,¹² and SDCAN’s witness testimony in the SDG&E General Rate Case demonstrated that similarly situated customers tend to be from higher income groups.¹³ The Commission should consider principles of equity to include environmental justice and the equitable distribution of environmental resources, benefits, and burdens.

4. “Understandability” Is a Broader and More Meaningful Goal than “Simplicity”

In Sierra Club’s Opening Comments we urged replacing the term “simplicity” with “understandability,” because the goal of having a simple rate structure would arbitrarily limit options available to the Commission to meet the concurrent goals of encouraging conservation, efficiency, and peak demand reduction. As CUE, DRA, the Black Economic Council, National Asian American Coalition, Latino Business Chamber of Greater Los Angeles, and other parties articulate, it is more important for rate structures to be “understandable” to achieve customer acceptance and response. CUE advocates for eliminating “simplicity” as a goal, and integrates “customer understanding and acceptance of new rates” into recast goals.¹⁴ Other parties, including TURN, SDCAN, and SEIA, repeatedly mention the need for customers to understand the rate structure, but do not articulate an expectation that it should be “simple.”¹⁵ Whether a

¹¹ See EDF Opening comments at 4.

¹² A.10-03-014, Sierra Club Reply Brief, January 10, 2011, at 9.

¹³ SDCAN Opening Comments, Attachment A.

¹⁴ CUE Opening Comments at 2; DRA Opening Comments at 4. Joint Parties Opening Comments at 4.

¹⁵ TURN Opening Comments at 10; SDCAN Opening Comments at 17.

rate structure is “simple” or not is a subjective assessment of its complexity, but a rate structure that is understandable is a measurable and important goal to achieve customer acceptance and response.

III. THE SCOPE AND SCHEDULE OF THIS PROCEEDING SHOULD PROVIDE TIME FOR A COMPREHENSIVE EXAMINATION PRIOR TO RECOMMENDATIONS TO THE LEGISLATURE

The process of revising the residential rate structure should be deliberative, well-researched, and include an analysis of a wide range of alternatives evaluated for performance measures articulated by the Parties in response to the Ruling. The investor-owned utilities propose to short-cut that process with a pre-packaged objective to reverse the conservation incentive and ratepayer protections of SB 695 by proposing that the Commission prematurely advise the legislature to repeal these policies without the benefit of an analysis of the consequences of that action. The legislature may consider legislation on this topic at their discretion, but the Commission does not have time to develop a basis in the record for such an analysis prior to the bill introduction deadline of February 18.¹⁶

The law reflected in SB 695 allows the Commission to transition to time variant pricing beginning in 2013, so it is improper to presume that new legislation is necessary for the objectives stated in the OIR. Indeed, it is clear from the investor-owned utilities’ comments that they intend for the Commission to adopt unavoidable fixed customer charges, and increased rates for low-income customers, policies which conflict with the proposed goals reflected in this OIR. This proceeding has the potential to develop stakeholder consensus on a complex and important issue. This consensus could be the basis for broader reforms to be proposed to the legislature, and is more likely to result in stable stakeholder support than a short-cut process with premature

¹⁶ California Legislature Joint Rule 54(a).

recommendations. The Commission should follow the course set when adopting the OIR and take the time necessary to study and evaluate alternatives and performance measures.

IV. A MULTI-STEP, ITERATIVE PROCESS IS IMPORTANT FOR AN ANALYTICAL REVIEW

Sierra Club supports TURN's recognition that the rate design process should be analytical and iterative. The transparent access to data and existing models, and the opportunity to revise models as needed should be provided for. Assumptions about the effects of existing and future energy efficiency programs should be discussed along with how residential rate design interacts with energy efficiency program delivery and funding streams. Questions proposed by EDF and DRA related to emerging technologies should be included to help ensure parties can assess how the rate structure facilitates acceptance and adoption of these technologies. Sierra Club looks forward to working with the Commission and stakeholder Parties to develop and evaluate proposals for a rate design that helps achieve California's environmental goals in a way that is equitable and affordable.

Respectfully Submitted,

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Andy Katz
Law Office of Andy Katz
2150 Allston Way Ste.400
Berkeley, CA 94704
510-848-5001
andykatz@sonic.net

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